

# **IowaAccess Project 9**

## **STAWRS**

### **Final Report**

#### **Project Leads:**

Renny Dohse, Iowa Workforce Development  
Wayne Cooper, Iowa Department of Revenue and Finance

#### **Mission Statement:**

Project 9 was approved as a pilot program for the National STAWRS office. Our purpose was to develop and test a system that will give Iowa employers the option of filing an electronic, combined wage tax report to a single state agency who will then electronically forward the return data to the other agencies. This will save employers the need to file separate paper returns to each of the three agencies.

Our project is one of several tests being conducted by the IRS to determine viable single-point filing national options for the future, and is a priority for them.

#### **Project Members:**

Darrell Bauman, Dallas County Treasurer  
Harold Bowman, Iowa Communications Network  
Richard Colombo, Technical Director, National STAWRS Office  
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Laura Messerley, Ameristar Casino  
Jan Moen, Iowa Workforce Development  
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Joe Shannahan, State Public Policy Group Staff  
Deana Thompson, Iowa Workforce Development  
Nancy Vasey, Maxwell City Clerk  
Larry Venenga, Iowa Workforce Development

## **SECTION I**

### **Approach**

#### **Project Goal:**

Project 9 is a pilot program for the National STAWRS (Simplified Tax and Wage Reporting System) Office.

Our goal was to develop and test a system that would allow employers to file a single combined report electronically to one state agency who would then electronically forward return information to the other agencies.

#### **Employer benefits:**

- They will no longer have to file three separate paper returns.
- Eliminate redundant reporting.
- Immediate acknowledgment that the return was received.
- Eliminate errors by use of provided software.

#### **Returns selected for the project:**

- The federal 941 quarterly return submitted to the Internal Revenue Service (IRS)
- The UI quarterly return submitted to Iowa Workforce Development (IWD)
- The annual state withholding reconciliation form (VSP) submitted to the Iowa Department of Revenue and Finance. (IDR&F)

The new combined form will be submitted electronically to IWD who will forward return data electronically to the other two agencies and move the UI data to the IWD mainframe.

#### **Focus Group and Survey:**

Because the project was selected without a documented need, the team decided employer input was needed before proceeding.

A focus group of employers was held September 30, 1997, to review the project plan and proposed combined form. In addition, 500 employers were surveyed by mail regarding interest to report wage tax information electronically. Both the survey and focus group showed that employers were interested in the combined electronic filing.

We discovered that Iowa's large employers have a special need to pursue national uniformity in order to reduce their reporting burden. Although this need is outside the scope of our project, we have worked during the year to include them in other groups pursuing that goal.

As a result of this input, we concluded that our project will fulfill a need that employers and agencies involved in wage tax reporting have for easy access to wage tax information, a reduction in redundant reporting and an ability to send reports to state and federal agencies by electronic means. It will also provide an important service to the three government agencies by eliminating data entry and error resolution functions, expediting processing and making the return information available faster than when paper returns are filed.

<b>Accomplishments:</b>
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1. Meetings were held to determine the process reengineering needed to begin accepting electronic filing by the three agencies.
2. A vendor was selected to modify software they had developed for other STAWRS projects and adapt it to allow Iowa employers to file electronically to IWD, and for IWD to return acknowledgments and error messages when necessary. A separate contract was negotiated to have them develop the software needed for IWD to forward data to the other two agencies and to move UI data to the IWD mainframe.
3. A combined paper return was also developed in cooperation with the National STAWRS office and the IRS. This parallel project was pursued because not all employers will be ready to file electronically at the same time, and we wanted to explore this as a benefit for those employers. We decided to use the same electronic software for data input of the paper filed returns during the testing phase. Senator Grassley was not successful in obtaining the federal legislation needed in order for us to continue work on the combined paper effort. If this option is opened for state-wide use special software will be needed.
4. The team solicited employer volunteers to participate in testing of the software as it was being developed. Separate groups of six employers filed return data with us for the 4th quarter, 1997, first quarter 1998, and will file 2nd quarter 1998 data after final signoff of the software is completed. Half of the employers filed combined paper and half electronically. Their input was used after each test to further refine the software and forms to better meet their needs.
5. Live testing of the electronic option has been approved by the IRS for 4th quarter 1998, and for the first two quarters of 1999. During these periods, an expanded group of employers will be allowed to file actual returns electronically without the need to file any paper returns. This will allow the IRS to test their processes and allow the team to verify that security features are adequate. We expect 25-200 employers to participate in this phase of the project.
6. Deployment of the needed software to employers is a concern for the team. At this time we see three options. We could provide the software to each participating employer; they could purchase it from private sector vendors, or we could develop an internet alternative.

Because the IRS is not yet ready to actively pursue the internet option, we will be providing software to employers during the next phase of testing. At the same time, the National STAWRS office will be in dialogue with developers to determine their interest in providing software, and the Iowa partners hope to pursue development of an internet option that can be tested over the next year.

## SECTION II

### Cost Benefit Analysis

<b>Project Time frame:</b>
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Planning on the project began in July, 1997. This phase included development of the project description, analysis of processes, obtaining employer input, and continuous refinement as we moved through the project.

Implementation began in January of 1998 with the first testing of software and will continue until approvals are obtained to offer the option state-wide.

Evaluation began in April of 1998 with feedback from employers participating in the testing and will continue throughout the project.

<b>Project Expenditures:</b>
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Hardware:	\$111,000
Software:	\$ 30,000
Consultants:	\$ 47,000
Misc.:	\$ 1,000
Total:	\$189,000

<b>Ongoing Costs:</b>
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Ongoing costs will be absorbed as departmental operating costs. If the federal partner (IRS) does not participate after the final evaluation is completed, funding will be necessary for state-only software development. It is estimated this will cost \$50,000 - \$100,000.

## SECTION III.

### Evaluation

Evaluation of our project will be completed on two levels. The following Project 9 evaluation will wrap up the year long IowaAccess phase. We are also participating in a second evaluation being conducted by the National STAWRS office to evaluate the overall project and whether the IRS will pursue the Iowa pilot or one of the other options for National deployment.

#### Project 9 Evaluation:

Although our project will continue for some time, we believe we have met the goals of the year long IowaAccess phase.

#### During this year we:

1. Evaluated current processes, agreed on forms that could be filed electronically in a single point transmission and developed a prototype combined return.
2. Conducted an employer focus group and survey to verify that the project would result in a benefit to Iowa employers.
3. Contracted for the development of software to test the concept with a small group of employers.
4. Completed three tests with this group as the software was being developed to obtain their feedback and determine any problems before live transmissions are attempted.
5. Purchased and installed hardware and software in order to allow us to complete testing and live applications when approved.
6. Worked with Vector Research to begin the evaluation process of the Iowa project for the National STAWRS office.
7. Determined options for state-wide deployment and began discussions on how an internet application could be tested with state data over the next year in order to expedite use of that option if it proves to be secure and if our federal partners are able to pursue that option.
8. Identified re-engineering needed at IWD in order to implement the program state-wide.
9. Identified sustainability options
10. Came in under budget.

#### National STAWRS Evaluation:

Vector Research, Incorporated out of Annandale Virginia has been hired by the National STAWRS office as the contractor to complete the evaluation of the all pilots being pursued.

Our team has been supplying them with documentation throughout our project, and participated in a two day public-private sector work session held in Las Vegas during July. The consensus of that meeting was that the Iowa project should remain a priority.

The following pages identify the evaluation strategy for the Vector evaluation process.

## **1 - Introduction**

In 1995, the Simplified Tax and Wage Reporting System (STAWRS) Program Office selected three initiatives designed to reduce the tax and wage reporting burden on employers. Those initiatives are streamlined customer service, single point filing, and simplified requirements. The Iowa electronic/paper filing employers' quarterly returns project directly supports the single point filing initiative. The project began upon recognition that employers are unnecessarily burdened by the requirement to file redundant tax and wage information with various agencies (Federal and state) on multiple forms (paper or nonpaper).

STAWRS marketing and partnering efforts resulted in the development of a productive working relationship with Iowa. The first STAWRS/Iowa working session took place in June of 1997. At this meeting, the partners determined that they could best serve the employer community by combining Iowa's quarterly unemployment insurance reporting form with Form 941, Employer's Quarterly Federal Tax Return, and the Iowa annual withholding tax return. In addition, it was determined both paper and electronic combined filing would be tested. The new combined form would be filed with the State of Iowa, which would process the return, forward required data to the Internal Revenue Service (IRS), and thus meet some of the employers' Federal and state filing requirements.

### **1.1 Purpose of the Iowa Project Performance Evaluation Plan**

The purpose of the Iowa project Performance Evaluation Plan (PEP) is to determine how well the project is achieving its mission and goals in relation to the performance measures established in the project plan. The PEP includes the project standards: mission, goals, performance measures, and unquantifiable benefits. That information is used to determine the project evaluation process, data collection strategy, data analysis process, and project progress.

### **1.2 Scope**

The PEP covers the Iowa project from inception through transition. The PEP includes an interim status section where the project's status as of July 1, 1998, will be presented. This document also includes the standards used to measure project success and the evaluation process employed to determine project results.

## **2 - Standards**

### **2.1 Mission**

The Iowa project's mission is to reduce the tax and wage reporting burden on employers by facilitating the development of a process for Iowa to receive from employers electronic and paper filings of wage and withholding tax reports at a single location. Iowa would then extract the required state and Federal tax data and forward them to the appropriate agencies (e.g., Iowa Department of Revenue, Iowa Workforce Development, and the IRS).

### **2.2 Goals**

The goals of the Iowa project are to:

- Satisfy employers by allowing them to meet both Federal and state quarterly employment tax filing requirements by filing one quarterly return with a single state agency,
- Allow a state agency to extract and transmit tax data to participating agencies,
- Eliminate excess filing costs, and
- Provide employers both an electronic and paper means to submit combined reports.

### **2.3 Performance Measures**

To evaluate how well the Iowa project is meeting its mission and goals, the following performance measures were developed and implemented:

- Reduced filing burden to participating employers through single point filing;
- Federal and state cost savings from reduction in entry and processing time;
- Level of satisfaction of employers that file one quarterly return (either paper or electronically) with a single state agency to meet both Federal and state quarterly employment tax filing requirements; and
- An agency's successful extraction and transmission of tax data to participating agencies.

### **2.4 Unquantifiable Benefits**

In addition to the goals of the Iowa project, there are unquantifiable benefits that should be taken into account:

- Improved customer service,
- Increased trust between the private sector and government (Federal/state),
- Federal partnership with states,
- Increased interagency cooperation,
- Intergovernmental data sharing
- Increased voluntary compliance due to less complexity in the tax laws,
- Immediate verification of employer tax data, and
- Changed culture toward initiative and empowerment.

These benefits will be realized over time and must be considered when determining the level of success of the project.

### 3-PERFORMANCE EVALUATION PROCESS

Performance evaluation of the Iowa project will be conducted in four steps:

1. Definition of baseline, target, and threshold values for each performance measure;
2. Identification of the data elements required to evaluate each measure;
3. Development of a data collection process; and
4. Collection and analysis of data.

Each step is outlined in detail in the following sections.

#### 3.1 Definition of Baseline, Target, and Threshold Values for Performance Measures

To effectively evaluate the performance of the Iowa project, it is necessary to first establish a baseline. A baseline should be thought of as a picture of the way things are now, frozen at a moment in time. That picture is then used for measuring changes to the project at points in the future. The 1997 fiscal year serves as the baseline for data collection efforts, as it precedes the demonstration of the Iowa project.

The target value for each performance measure represents the maximum return on investment (return on investment, or ROI, is a numerical answer to the question: "For every dollar invested in the project, how many dollars will be realized in benefits?") or the highest value that can be expected from the project. The target values were taken from the *STAWRS Business Case Version 7*, dated December 4, 1997, or determined through analysis of STAWRS project documentation and discussions with subject matter experts.

The threshold value for each performance measure represents the minimum ROI or percentage of satisfaction that justifies the transition of the Iowa project to appropriate agencies. Threshold values are determined on the basis of alternative uses of available capital; for example, if alternative investments yield a 1.1:1 ROI, then STAWRS should show an ROI of 1.1:1 or greater. Table 3-1 captures the performance measures and their respective baseline, threshold, and target values.

**Table 3-1 Values for Evaluating Performance**

Performance Measure	Baseline Value	Threshold Value	Target Value
Employer tax and wage reporting burden reduction	Current annual employer burden	Employer ROI of 1.1:1	Employer ROI of 37.7:1
State government cost savings from processing efficiencies	Current annual state costs	State ROI of 1.1:1	State ROI of 8:1
Federal government cost savings from processing efficiencies	Current annual Federal costs	Federal ROI of 1.1:1	Federal ROI of 16.7:1
Employer satisfaction and system acceptance	Current percentage of selected participants providing positive feedback	75% positive feedback from selected participants	90% positive feedback from selected participants
State agency successful extraction and transmission of data	Current percentage of files sent that are received by the IRS	95% of the files sent are received by the IRS	100% of the files sent are received by the IRS

### **3.2 Baseline Data Collection Process**

Information for the baseline (fiscal year 1997) data elements , such as the number of returns, tax burden for the state, etc., can be obtained from existing records and reports. Gathering implementation cost and unquantifiable benefits data will require a more concentrated data collection effort. That data collection effort will include discussions with STAWRS officials, state representatives, and state agencies such as the Federation of Tax Administrators; technical and functional interchanges; and satisfaction surveys. The collection process will be carefully structured to capture baseline data from which to measure the project's success in realizing unquantifiable benefits.

### **3.3 Identification of Required Data Elements**

For each performance measure, the data elements required to assess that measure must be identified, and the possible sources for collecting the data determined. Once this information has been obtained, a collection strategy can be developed. The data requirements that correspond to the performance measures for the Iowa project are shown in Table 3-2.

### **3.4 Collection and Analysis of Data**

Data used to determine if target or threshold values were reached and unquantifiable benefits achieved will be collected during two calendar quarters as stated in the Iowa Electronic/Paper Filing Employer's Quarterly Returns Project Plan. This collection period was established to ensure that the data collected are statistically significant, accurately assess stakeholder satisfaction with and participation in the project, and provide a sufficient basis for determining the extent to which the goals have been met. Though the analysis of data to determine which unquantifiable benefits the project is realizing is a long term process and will continue after the project is transitioned to appropriate government agencies, initial measures will be taken during the evaluation process to provide a complete picture of the Iowa project.

Analysis of the data will compare actual results with expected results and will attempt to explain any variances. Variances may result from the project itself, from errors in the initial projections, or from flaws in the data collection process. Corrections in the data collection process or in the projected target threshold values will be implemented wherever necessary. If the results of the analysis produce an ROI or percentage greater than 1.1:1 for any performance measure, then the corresponding goal is considered to be successfully met. However, a lesser ROI or percentage does not necessarily imply failure. Other factors such as unquantifiable benefits that result from the project may offset a lower-than-expected return. Unquantifiable benefits will be measured by using methods similar to the baseline data collection efforts, such as feedback from visits, technical and functional interchanges, and satisfaction surveys.

**Table 3-2 Data Requirements**

<b>Performance Measure</b>	<b>Data Element</b>	<b>Data Source</b>
Employer tax and wage reporting burden reduction	Hours required to complete returns (current)	Stakeholder data collection efforts
	Hours required to complete returns (during demonstration)	Stakeholder data collection efforts
	Cost to complete returns (current)	Stakeholder data collection efforts
	Cost to complete returns (during demonstration)	Stakeholder data collection efforts
	Employer cost to implement	Stakeholder data collection efforts
State cost savings from processing efficiencies	Total number of returns and return types	State tax records
	State processing costs per return (current)	State tax records
	State processing costs per return (during demonstration)	State tax records
	State cost to implement	STAWRS project data
Federal cost savings from processing efficiencies	Total number of returns	IRS records
	Federal processing costs (current)	IRS records
	Federal processing costs (during demonstration)	IRS records
	Federal cost to implement	STAWRS project data
Employer satisfaction and system acceptance	Number of employers (by size of firm)	State/IRS records
	Number of employers participating	State/IRS records
	Percentage of employers satisfied	Stakeholder data collection efforts
State agency's extraction and transmission of data	Electronic version of transmitted data	State records
	Electronic receipt of transmitted data	Federal records

## Section IV

### Future Plans - Conclusions and Recommendations

#### Sustainability:

We believe the project will be approved for state-wide implementation. Ongoing costs will be absorbed by the departments. Should the IRS elect not to participate funding in the range of \$50,000 - \$100,000 will be needed to make the software Iowa specific.

#### Expansion:

Options to expand the project will be explored as we move forward. In the future expansion could include additional forms, additional agencies, addition of other states, and an internet filing option rather than the modem to modem which this project is testing.

Costs of any addition should be less than this project because the concept will be in place. Any costs would come from the agencies participating in the expansion roll out.

A decision on nation-wide implementation or replication will be made at the end of this project by the National STAWRS office.

#### Maintenance:

Maintenance and updating of the system will be accomplished through the agency operating budget.

#### Intergovernmental and Citizen Focus:

Because our project involves a fixed set of employer users and three government agencies, we anticipate no problem obtaining regular feedback and suggestions for improvement. A help desk will be established to provide assistance and obtain feedback from employers.

#### Public Awareness:

Once we move to the pilot phase this year, public awareness will be accomplished through newsletters distributed to employers by the three agencies. Direct mail and use of associations will be made to encourage participation once we go state-wide.

#### Evaluations:

Once implemented, ongoing evaluations will be the responsibility of the three participating agencies. We assume our national partner may use the resources of a private contractor to assist in national evaluation efforts.

<b>Other Recommendations:</b>
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The following are observations on the process used for the 14 IowAccess project over the last year, and how they could be improved for future projects.

1. It appeared that team members for our project were selected without concern that they had any connection to the project to be completed. Many of our private sector members either dropped out of the project or never attended meetings because they had no connection to nor interest in the project goals. We ended up soliciting participation from employers who WERE interested in the process. We suggest that future teams be selected carefully to ensure this is not an obstacle for them.

2.